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Attached is a copy of the Salem New York City Fact Book information we reviewed today.

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CONFIDENTIAL

Direct Account Information Packet

SALEM Market

New York City

The purpose of this document is to provide Direct Account information regarding the new SALEM Marketing Initiative.

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Introductory Timetable

**Weeks
to DTS**

Week Of

13.....	Direct Account Managers Meeting	February 5
13.....	Fact Sheets Available	February 5
13.....	Presentations Begin.....	February 6
9.....	Sales Kick-Off Meeting.....	March 5 - 7
7.....	First Order Onserted Product by Direct Account.....	March 24
7.....	Manage Down Old Pack Graphic Product	March 17 - April 7
5.....	Gratis Product to Field Offices	March 31
4.....	First Order New Graphic Product by Direct Account.....	April 14
4.....	New Brands Entered Into SIS Brand Tables.....	April 4
3.....	POS/PDI Available for Order.....	April 14
0.....	DTS.....	May 5

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Introductory Fact Sheet

Announcement

A new marketing initiative will begin May 5, 1997, in the city of New York. This initiative will consist of three line extensions to the SALEM brand family, as well as new packaging for all styles.

Product

SALEM will be available in 11 total style variations. Three new styles have been added in box packaging, each with cork filter tipping to broaden consumer appeal:

- SALEM Full Flavor 82MM Slide Box
- SALEM Lights 82MM Slide Box
- SALEM Full Flavor 100MM Flip Top Box

SALEM Gold Box will no longer be available in New York City.

SALEM Custom Case Light 100 has been renamed SALEM Light Box 100.

Packaging

- New graphic packaging will replace current graphics on both packs and cartons. A transition program to ensure efficient product flow through is detailed on Page 3.
- SALEM's new Slide Box will be featured on the new Full Flavor and Lights 82MM products.

Promotional Support

- SALEM's new initiative will be supported with high retail awareness and trial-generating programs throughout the introductory period.
- Impactful point-of-sale material in conjunction with package display programs will create awareness and generate trial.
- Each style of SALEM will be credited toward the Full Price SOM objectives for our Wholesale Partners program.

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Product Flow Through

The transition to new graphics packaging will be accomplished via inventory management and a detailed timetable of current franchise communication.

Current graphics product will receive "onserts" that will be affixed to the back of each pack at the point of manufacture. The purpose of the onsert is to inform current SALEM purchasers that their package will have a brand new look while reassuring them that their cigarette has not changed. The onsert will also introduce the additional two new Slide Box styles. Onsert product will be available for two weeks of normal inventory and first order date is 3/24/97.

Onserted product will be packed in specially marked cases in the current style configuration of 12M/6M size. Only the **case UPC code** is changing as noted on Page 5.

New graphics product will be available for first order on 4/14/97. This new graphics product will utilize the same case UPC code as assigned to the onsert product. New graphics product will be easily distinguishable with bold green striping on the outer case. It will also be packed in the current 12M/6M style configuration. Pack and carton UPC codes will remain the same as current SALEM styles. Please review UPC coding carefully on Page 5.

We have designed our program in this manner to aid the wholesaler, retailer, and consumer in a smooth and efficient product transition.

Here is how you can help:

- Monitor and manage down slower moving styles of SALEM.
- Work closely with your RJR Account Representative during the transition period of 3/24/97 through 4/14/97 to ensure sufficient inventory for your customers while preventing out-of-stocks.
- Our goal is > 80% distribution at the 5/5/97 launch. Your assistance in inventory management and product rotation is greatly appreciated.

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UPCs

Onserted "Current Graphics" Product

<u>Configuration</u>	<u>Case UPC</u> (<i>Changed from current SALEM</i>)	<u>Carton UPC</u> (Not changed from current SALEM)	<u>Pack UPC</u> (Not changed from current SALEM)
FF 85 Soft Pack	000 12300 23551 8	0 12300 12013 5	0 123203 8
FF 100 Soft Pack	000 12300 23552 5	0 12300 12213 9	0 123223 2
LT 85 Soft Pack	000 12300 23555 6	0 12300 12413 3	0 123243 6
LT 100 Soft Pack	000 12300 23556 3	0 12300 12513 0	0 123253 3
LT 100 Box	000 12300 23558 7	0 12300 17213 4	0 123723 7
ULT 85 Soft Pack	000 12300 23559 4	0 12300 12813 1	0 123283 4
ULT 100 Soft Pack	000 12300 23560 0	0 12300 12913 8	0 123293 1
Slim Lts F 100 Box	000 12300 23557 0	0 12300 12613 7	0 123263 0
FF 83 Gold Box	000 12300 24090 1	0 12300 10813 3	0 123083 6

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UPCs/Dimensions—New Graphics Product

Configuration	UPC	Length (in)	Width (in)	Height (in)	Cube (ft3)	Weight
FF 85 Soft Pack						
Pack	0 123203 8	2.0625	0.84375	3.375	0.003398895	0.787 oz
Carton	0 12300 12013 5	10.625	1.78125	3.4375	0.037648943	8.67 oz
Case (12M)	000 12300 23551 8	17.625	11.0625	21.6875	2.447079976	33.5 lbs
FF 100 Soft Pack						
Pack	0 123223 2	2.0625	0.84375	4.0000	0.00402832	0.933 oz
Carton	0 12300 12213 9	10.625	1.78125	4.03125	0.044151942	10.13 oz
Case (12M)	000 12300 23552 5	20.5625	11.0625	21.6875	2.854926639	39.0 lbs
LT 85 Soft Pack						
Pack	0 123243 6	2.0625	0.84375	3.375	0.003398895	0.787 oz
Carton	0 12300 12413 3	10.625	1.78125	3.4375	0.037648943	8.67 oz
Case (12M)	000 12300 23555 6	17.625	11.0625	21.6875	2.447079976	33.5 lbs
LT 100 Soft Pack						
Pack	0 123253 3	2.0625	0.84375	4.0000	0.00402832	0.933 oz
Carton	0 12300 12513 0	10.625	1.78125	4.03125	0.044151942	10.13 oz
Case (12M)	000 12300 23556 3	20.5625	11.0625	21.6875	2.854926639	39.0 lbs
LT 100 Box (formerly Custom Case)						
Pack	0 123723 7	2.21875	0.9375	3.96875	0.004777379	1.067 oz
Carton	0 12300 17213 4	11.125	1.875	4.0625	0.049040053	11.47 oz
Case (6M)	000 12300 23558 7	20.625	11.6875	11.6875	1.630397373	22.0 lbs
ULT 85 Soft Pack						
Pack	0 123283 4	2.0625	0.84375	3.375	0.003398895	0.787 oz
Carton	0 12300 12813 1	10.625	1.78125	3.4375	0.037648943	8.67 oz
Case (6M)	000 12300 23559 4	17.625	11.0625	11.125	1.255274	16.0 lbs
ULT 100 Soft Pack						
Pack	0 123293 1	2.0625	0.84375	4.0000	0.00402832	0.933 oz
Carton	0 12300 12913 8	10.625	1.78125	4.03125	0.044151942	10.13 oz
Case (12M)	000 12300 23560 0	20.5625	11.0625	21.6875	2.854926639	39.0 lbs
Slim Lts F 100 Box						
Pack	0 123263 0	2.09375	0.84375	3.96875	0.004	0.947 oz
Carton	0 12300 12613 7	10.5	1.78125	4.03125	0.044	10.27 oz
Case (12M)	000 12300 23557 0	20.5625	10.9375	21.5	2.798264115	39.5 lbs
FF 82 Slide Box (new)						
Pack	0 123753 8	2.2175	0.9055	3.4055	0.004	0.933 oz
Carton	0 12300 17513 5	11.185	1.9527	3.437	0.043	10.13 oz
Case (6M)	000 12300 23553 2	17.5625	12.1875	11.7500	1.455	19.8 lbs
Lts 82 Slide Box (new)						
Pack	0 123763 5	2.2175	0.9055	3.4055	0.004	0.933 oz
Carton	0 12300 17613 2	11.185	1.9527	3.437	0.043	10.13 oz
Case (6M)	000 12300 17606 4	17.5625	12.1875	11.7500	1.455	19.8 lbs
FF 100 Box (new)						
Pack	0 12300 24070 3	2.21875	0.9375	3.96875	0.004777379	1.067 oz
Carton	0 12300 24071 0	11.125	1.875	4.0625	0.049040053	11.47 oz
Case (6M)	000 12300 24072 7	20.625	11.6875	11.6875	1.630397373	22.0 lbs

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Disruption Allowance

In an effort to compensate our direct accounts for the changes they have made in their systems to accommodate the new SALEM UPC case codes for our New York test, the following payments will be made to these accounts:

- \$15.00 per 12M case for direct accounts that set up the new SALEM UPC case codes and maintain the old SALEM UPC case codes. These direct accounts service stores outside the test market and will need to carry dual inventories.
- This payment will be based on one average week's purchases of SALEM styles for New York city (using a base period of October 25, 1996, through January 24, 1997, 13 weeks). It is a one-time payment to the direct account. Payments will be made via credit memo to the direct accounts. MSA data was used to calculate the percentage of New York business for accounts carrying dual inventories.

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